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Industrial Distribution

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September 1985

Hotline:
Domestic suppliers reduce prices to combat lower-priced imports

Compensation: focus on rewards

SHOWCASE
Specialty Tools & Fasteners
(PULL-OUT SECTION)

ID Industrial Distribution

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INDUSTRY NEWS

New trade association studies shed light on industrial distributors

NEW YORK—Four of the leading trade associations have recently issued reports. They include the NIDA/SIDA *1985 Distributor Productivity Report;* ASMMA's *An Evaluation of Industrial Purchasing and Distribution Trends;* STAFDA's *Operating Performance Report* and the PTDA's *1985 Marketing Report.*

According to the NIDA/SIDA study, sales for 1984 were up by 21.5% over 1983 for those distributors reporting. In addition, inventory turns rose to 2.8 times from 2.3 and accounts receivable dropped from 45.5 days to 42.7.

Despite this large sales increase, the report says that return on investment while rising to 7.6% from 3.9% the previous year, was still less than half of the 16.4% reported in 1979.

Personnel productivity, presented as a ratio of payroll to gross margin, improved only slightly from 61.9% in 1983 to 58.5% in 1984.

"The most fruitful area of improving profitability," noted the report, "is in the reduction of payroll expense," adding that if the goal of not allowing payroll to exceed 50% of gross margin had been met, net profit before taxes would have been 14.5% of gross margin instead of 5.7% as reported and return on investment would have been more than 15%.

ASMMA's report on MRO trends states that the early 1980's marked a significant change in the emphasis of plant MRO purchasing improvements. "Prior to that," says the study, "improvements in MRO purchasing focused on obtaining lower prices from suppliers." By 1980, purchasers began to realize that other benefits were possible including:

- Shorter delivery time
- Reduced inventory levels
- Better management and control of vendors.
- Reduction of management time devoted to MRO.
- Fewer errors, faster turnaround time.

"By far the most important ongoing trend in MRO purchasing is the systems contract," says the report. "Approximately 45% of the end-users interviewed in this study have systems contracts in place with an additional 37% either in process or expected in the future."

The report also noted that while *Just in Time* and *Material Requirements Planning* offer considerable benefits, "most industrial purchasing managers felt these programs were limited to products which were highly scheduled and closely tied to production volumes. They were felt to be unsuitable for the highly variable volume requirements of plant MRO products, even those with relatively high usage."

The Specialty Tools & Fasteners Distributors Assn. (STAFDA) report analyzes data from the year 1984 which, the reports points out, "was an excellent business year for most distributors. Nearly every ratio showed a strong improvement over 1983. As a matter of fact," says the report, "most of these numbers were the best we've seen in the 1980's."

The Power Transmission Distributors Assn. (PTDA) Marketing Report is based upon responses to 34 questions from 147 PTDA members, 51% of the organization's

[continued on page 12]

STAFDA five-year trend averages

	1984	1983	1982	1981	1980
1. Percent of Sales Increase	27.3%	19.2%	−1.9%	5.3%	5.6%
Average Dollar Sales Volume ($ Thousands)	$3,477	$3,256	$2,927	$3,000	$2,757
2. Gross Profit (% of Sales)	36.0%	35.0%	35.3%	37.0%	33.9%
3. Sales Per Employee ($ Thousands)	$132.9	$130.9	$134.4	$122.1	$118.9
4. Gross Profit Per Employee ($ Thousands)	$45.1	$43.1	$43.8	$46.9	$41.1
5. Net Profit BEFORE Taxes To Net Sales (%)	4.0%	2.7%	2.1%	4.4%	4.7%
6. Net Profit AFTER Taxes To Net Sales (%)	3.0%	2.2%	1.5%	2.7%	3.2%
7. Inventory Turnover (times)	4.4	4.1	3.7	4.4	4.1
8. Return on Net Worth (%)	25.5%	15.9%	11.0%	18.2%	17.9%
9. Current Ratio	3.0	2.8	2.9	2.6	1.8
10. Bad Debt Losses (% of sales)	.5%	.3%	.6%	.6%	.5%
11. Change in Inventory Level (%)	12.7%	17.1%	1.1%	13.9%	20.6%
12. Accounts Receivable—Days Outstanding (Accounts Receivable % TOTAL Sales per Day)	43 days	43 days	40 days	40 days	43 days

Where to obtain reports

NIDA/SIDA members can obtain personalized productivity reports comparing their results with those of the report's respondents by requesting a *participation form* from NIDA and sending it together with $75 to George C. Webster & Assoc.; P.O. Box 1048; Beaufort, SC 29901. NIDA/SIDA members can obtain copies of the report for $75 and non-members for $150 from NIDA at 1900 Arch St.; Philadelphia, PA 19103.

ASMMA's MRO report, available only to ASMMA, NIDA and SIDA members, may be obtained from ASMMA; 1230 Keith Bldg.; Cleveland, OH 44115.

Information on the STAFDA report can be obtained from the organization at: P.O. Box 44; Elm Grove, WI 53122.

The PTDA report is available to members for $15 and to non-members for $35. For additional information contact the association at 100 Higgins Rd.; Park Ridge, IL 60068.

INDUSTRY NEWS...

[continued from page 7]
total distributor members.

Among the findings reported by the PTDA report are:

- Distributors almost evenly divide their sales efforts between purchasing and maintenance (38.9% and 37.4% respectively) with engineering receiving 22.6% of the distributor's selling time.
- When asked about expected annual growth over the next five years, the largest percentage (39.7%) predicted growth of between 6–10% with the second greatest number (30.1%) expecting to see 11–15% growth.
- Of the 74.8% of the firms reporting that they offer cash discounts, 62.3% said they offered 1% discounts while 33.9% offered 2%. □

Le-Hi, Andrews, and Parker rights bought by Dixon Valve

CHESTERTOWN, MD—Dixon Valve & Coupling Co. headquartered here has announced the purchase of Le-Hi Industrial Hose fittings, Andrews Cam & Groove Coupling inventories and products rights of Parker Fluid Connectors Hose Accessories Div.

The products will be added to Dixon's line of hose fittings and accessories that are sold by more than 5000 industrial distributors. □

Nolan D. Archibald named to presidency of Black & Decker

TOWSON, MD—The Black & Decker Corp. has announced that effective September 9, Nolan D. Archibald will become president, COO and a director of the company.

At the same time it was announced that Laurence J. Farley, the company's president and CEO since 1983 will become chairman of the board and CEO.

Archibald began his career with Conroy, Inc., a consumer products company, and held a series of marketing and general management positions there before joining Beatrice Companies Inc. in 1977.

At Beatrice he served as corporate senior vice president and president of the Consumer Durables Group.

He is a graduate of Utah's Weber State College and the Harvard Graduate School of Business. □

Archibald

[continued on page 15]

Durable offers you a terrific line of dock bumpers, wheel chocks, wall and corner guards, and mats for industrial, commercial and institutional sales ... plus important extras you expect from a supplier. Our team of professionals stand behind everything we make or handle. We take your phone orders. Answer your questions. Provide for fast delivery. And assist you in a variety of ways. It's our personalized, friendly way of doing business, and we'd like to go to work for you. **Call today! Toll Free 1-800-537-1603. In Ohio call collect 419-668-8138.**

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- Vinyl-sponge, anti-fatigue matting
- Carpet mats and matting

million cash purchase is expected to be completed this month or next.

Schrader Bellows, a manufacturer of pneumatic valves, filters, regulators, lubricators and automation and control equipment, had sales of $114 million in 1984. The company has manufacturing facilities in Ohio, North Carolina and Pennsylvania as well as manufacturing and sales facilities in 17 foreign countries.

Commenting upon the impending acquisition, Paul G. Schloemer, president and CEO of Parker Hannifin said that Schrader Bellows "would augment Parker's broad line of hydraulic and pneumatic products."

Parker Hannifin, whose fiscal 1984 sales were $1.3 billion, produces fluid power systems and components for industrial, automotive, aviation, space and marine markets. □

Texas A&M receives three endowments for industrial distribution

COLLEGE STATION, TX—Texas A&M University has announced the establishment of three endowed professorships in its industrial distribution program valued at a total of $1.2 million.

Rader

Dr. Don Rice, interim department head of the school's Department of Engineering Technology called the three gifts—the I. Andrew Rader Professorship in Industrial Distribution, the Allen-Bradley Professorship in Factory Automation and the J. R. Thompson Professorship for Research in Industrial Distribution—welcome gifts.

"These professorships will provide income that will allow teachers to spend a larger portion of their time developing knowledge in their fields and will be a source of funds for research, curriculum and professional development," commented Rice.

Thompson

The I. Andrew Rader Professorship was created by the Allen Bradley Foundation to pay tribute to the chairman of the Board-of-Trustees and Executive Committee of Allen Bradley Co.

The Allen-Bradley Professorship in Factory Automation is being established to support research and teaching in that specialty. The company, which produces industrial automation controls and systems, electronics components, magnetic materials and precision moldings, became part of Rockwell International earlier this year.

The J. R. Thompson Professorship is in honor of the president of Warren Electric Co., a Houston industrial distributor.

Thompson was previously recognized by Texas A&M in 1980 when a building housing laboratories, offices and classrooms for engineering technology was named J. R. Thompson Hall. □

Thorn Pendleton former Warren Tool CEO dead at 77

WARREN, OH—Thorn Pendleton, retired chairman of the board and CEO of the Warren Tool Corp. headquartered here, died on June 6. He was 77 years old.

Pendleton and his brother-in-law bought the former Warren Tool and Forge Co. in 1932 and developed it into the Warren Tool Group which became the Warren Tool Corp. □

Indicators . . .

After several euphoric months when all three major indices showed simultaneous upturns, the current figures are somewhat disappointing as two of the three declined from the previous month. The NIDA/SIDA *Industrial Distribution Index* for June lost 8.1 points from May to 144.1 on a national basis. This compares with 141.9 in June '84. All regions showed losses with the East the big loser by 13.1 points from May. The Midwest, West and South dropped 6.3, 11.2 and 6.3 points respectively . . . SIDA's *Monthly Sales Trend Report* for May indicated a drop of 3.39 from April. Although this figure represents a 2.78 increase on a 1985/1984 year-to-date basis, May '85 compared to May '84 registers a loss of 1.24. Regionally, SIDA Area I comprising NC, VA, and WV, suffered least with a drop of only 1.17 while Area IV (AR, LA, OK, TX) was hardest hit with a 7.66 decline. Region II (FL, GA, SC, Puerto Rico) was off by 3.49 while Region III (AL, KY, MS, TN) fell 3.12. . . . The one bright spot in the "Big Three" was ASMMA, whose *New Order Index* rose 3.2 points in May over April for a scant 2.7%. The new figure of 121.8, while the highest seen in 1985, was exceeded in four of the 12 months of 1984. . . . The American Machine Tool Distributors' Assn. (AMTDA) *Distributor New Orders* for May eased slightly from April dropping by 2.6 points to 65.5 for a loss of 3.8%. May '85 vs. May '84 shows a decline of 1.0% . . . The National Assn. of Aluminum Distributors *Quick Pulse Service Center Index* of monthly shipments showed a small decline of 3.7 points in May to 106.7, the second month in a row the Index has fallen. In comparing May '85 with May '84, an 11.5 point loss results . . . The National Welding Supply Assn. (NWSA) *Welding Supply Index* dropped 3.7 points in May to 209.3. While three of the four components which make up the index—gas, expendables and other supplies—fell only marginally, the bulk of the loss was caused by equipment sales which dropped by 27 points. Despite this month's decline, 1985/1984 YTD is still up by 16.8% and the Index is 27.7 points ahead of May '84.

REGIONAL REPORT

Sales sluggish in June

June sales have stalled out at May's level, holding to a slight gain of 1% over June '84. But month-to-month indicators have turned solidly negative which usually indicates further slippage in national sales figures.

In national regional reporting for June, New England was the most negative, dropping 4%, while Pacific was the only positive region, gaining 13%. All areas were in the minus column except Connecticut and Wisconsin, which gained 1% and 3% respectively. Michigan's drop of 8% was the most negative.

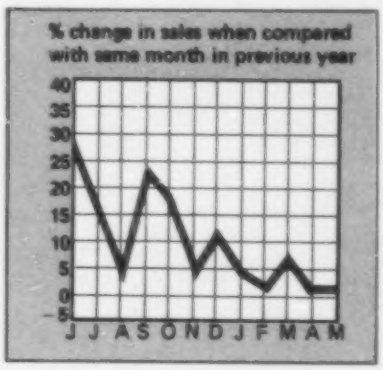
In month-to-month reporting, all areas and regions were negative, June '85 compared to May '85. East North Central was off 11%, the most for any region, while Georgia-Florida, Wisconsin and Michigan were all down 11%, the steepest in area reporting. The best region in this category was Pacific, down 2%; the best area, Pennsylvania, down 3%.

Cumulative figures were steady and similar to last month's with the first 6 months of this year 7% higher than the first six months of '84. To date, the best region was Pacific, up 9%; the best area, Massachusetts, up 12%. The weakest region was South Atlantic, up 2%; the weakest area, Connecticut, up 4%. Opposite to the weight given month-to-month figures, cumulative figures are the slowest register of economic trends.

In receivables, a slight slippage is evident with average days outstanding for both general liners and specialists at 42 days. Last month, both figures stood at 41 days. □

RECEIVABLES*	June '85		vs. June '84	
	Gen.	Spec.	Gen.	Spec.
New England	48	49	47	47
Middle Atlantic	48	46	46	45
South Atlantic	36	37	35	36
East North Central	39	40	38	41
East South Central	—	—	—	—
West North Central	—	39	—	40
West South Central	—	—	—	—
Mountain	—	—	—	—
Pacific	41	43	38	42
National	42	42	41	42

*"Average" days outstanding



June sales remain at low point . . .

SALES BY REGIONS (% change)	June, 1985 vs. May, 1985 Gen.	Spec.	Both	June, 1985 vs. June, 1984 Gen.	Spec.	Both	First 6 months of '85 vs. First 6 months of '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−7	−1	−4	−6	−2	−4	+1	+15	+7
Connecticut	−5	0	−4	−1	+4	+1	+1	+13	+4
Massachusetts	−10	−1	−4	−3	−3	−3	+4	+15	+12
MIDDLE ATLANTIC: NY, NJ, PA	−3	−7	−5	+2	0	+1	+8	+7	+7
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	—	—	—	—	—	—	—	—
Pennsylvania	+2	−10	−3	+2	−7	−2	+6	+5	+6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−9	−9	−9	−3	+2	−1	+2	+3	+2
Georgia–Florida	−11	−11	−11	−12	−1	−6	+9	+3	+5
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−9	−13	−11	−2	−2	−2	+4	+12	+8
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−3	−12	−11	+3	+3	+3	−3	+11	+8
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−21	−4	−11	−7	−8	−8	+3	+19	+11
Ohio	−8	—	—	0	—	—	+8	—	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	−4	—	—	−2	—	—	+1	—
WEST SOUTH CENTRAL: AR, LA, OK, TX	—	—	—	—	—	—	—	—	—
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+5	−6	−2	+28	−17	+13	+15	−6	+9
LA.–San Diego	+4	—	—	+25	—	—	+14	—	—
Oregon–Washington	—	−3	—	—	−16	—	—	−8	—
U.S. TOTALS	−5	−9	−7	+4	−3	+1	+6	+7	+7

The market: an open end

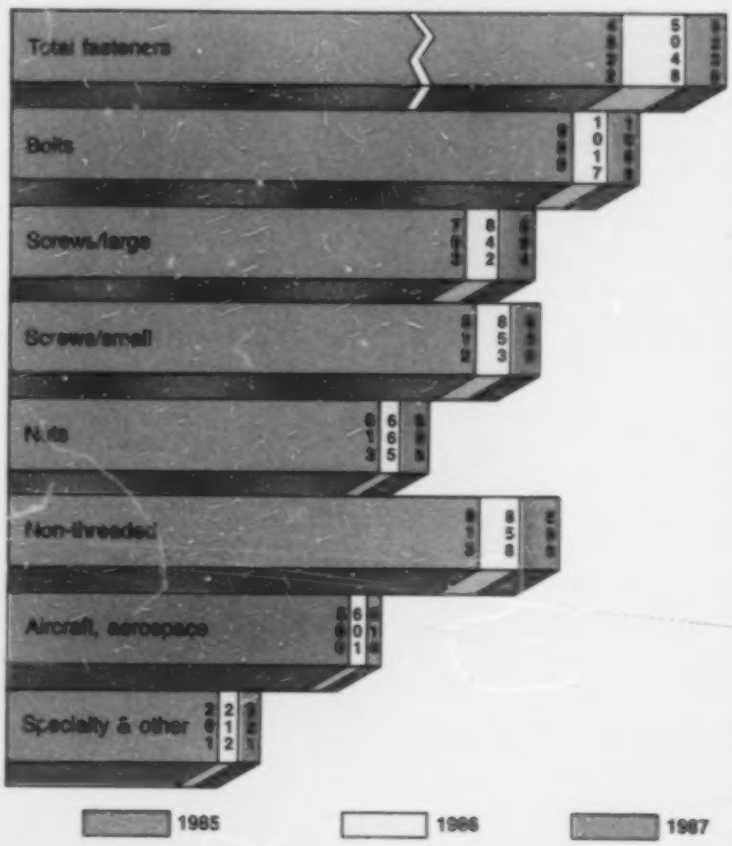
Distributors of specialty tools and fasteners work in a constantly changing marketplace. While today's engineered fasteners bring sophisticated performance to most fastener applications, along with significant marketing potential for distributors, the competition from foreign imports has never been keener. And specialty tools, like hand tools and power tools, are greatly influenced by the many different cycles of customer demand.

Although imports from foreign producers of fasteners have increased the past few years, distributor sales have not been hurt by this change. The increasing demand in the marketplace for varieties of fasteners has enabled distributors to use to advantage this influx of foreign products by becoming a greater source of supply for the end user. As *ID* reported in a previous article on fasteners: "Around 15 years ago, it's estimated that only 15–18% of the industrial fasteners sold in the U.S. flowed through distributors; the rest went direct from supplier to user. Today, reflecting industry's mounting recognition of the distributor's influence in the marketplace, current estimates indicate that at least half of the fasteners sold in non-consumer markets flow through distribution."

According to Business Trend Analysts, Inc., a Long Island-based research firm, the overall fastener industry will continue to face competition in the area of standard fasteners. But U.S. manufacturers are incorporating laser technology in the production of special fasteners, a move which is said to be the major strength of the U.S. fastener manufacturers in countering import competition in the coming decade.

A report provided by Frost & Sullivan, Inc., a New York-based business research organization, indicates that the estimated fastener consumption from 1985 to 1987 for specialty and other fasteners (see graph) will increase from $201 to $221 million. This category includes inserts, clips and other non-conventional fasteners. Business Trend Analysts forecasts real growth for the industrial fastener to average 2.7% per year, with 1994 sales totalling $9.2 billion. The report also projects growth in demand for heavy-duty bolts, drywall screws, self-drilling fasteners, masonry fasteners and roof fastening systems, generated primarily by the changes in construction and mining industry requirements.

Estimated fastener consumption 1985–1987
($ in millions)



- values rounded, totals may differ
- tables and some statistics excerpted from studies by Frost & Sullivan, Inc. For more information on complete studies, write Customer Service, Frost & Sullivan, 106 Fulton St., New York, NY 10038.

As total new construction in the U.S. increases over the next few years, so will sales of specialty tools. Frost and Sullivan, Inc. projects construction sales of portable electric tools, including drills, circular and jig saws, screwdrivers, hammers, impact wrenches, grinders, sanders and other electric tools to reach $479 mil-

lion by 1990 (see graph). Sales of pneumatic tools, including drills, screwdrivers, percussion tools, impact wrenches, grinders/sanders/polishers, plus parts and accessories, could total $55 million by 1990. Standard velocity and low velocity powder actuated tools are projected to reach $29 million by the same year.

Past and projected sales of power tools to construction industry

($ in millions)

	1980	1990
Electrical	$218	$479
Pneumatic	29	55
Powder actuated	14	29

In particular, the construction market provides unlimited opportunities for the distributor of specialty tools and fasteners. On any one construction site, for example, there could be dozens of subcontractors in need of their own specialized equipment to accomplish specific tasks. It's also possible to sell several of the same tools to different workers, all located at one site.

The distributor's goal in selling specialty tools and fasteners is to know his particular markets and to have the product knowledge to sell. Besides construction, many other industries and markets are users of these products, including the automotive and aircraft/aerospace industries. Frost and Sullivan, Inc. projects total fastener consumption for the automotive industry to expand from $1.266 billion in 1985 to $1.428 billion by 1987; total fastener consumption for aircraft/aerospace industries, however, will decrease from $614 million in 1985 to $580 million by 1987 due to other assembly methods such as adhesives and laser cutting and joining equipment. The opportunity to sell power tools, especially pneumatic tools, can also be found in the automotive service market. Since the majority of repair shops and automobile mechanics use air tools in their profession, the market for these products could reach close to $159 million by 1990; sales of pneumatic tools to this industry were $65 million in 1980. □

Now! Top Quality BELZER HAND TOOLS Available in U.S.

Opportunity for Top-Flight Distributors

Belzer hand tools — long known in Europe for premium quality — are now available for the U.S. market. Belzer offers a complete range of hand tools and wrenches for product assembly and maintenance operations in areas such as electronics, aircraft, transportation equipment, light and heavy industrial machinery, plus tools for plant facility maintenance and repair.

Belzer is actively seeking first line industrial distributors throughout the U.S. to sell and distribute this fine line of hand tools. Belzer is prepared to build up inventory to match the selling capabilities of distributor organizations. For full details write to Belzer division of Saarberg Intertool, 3650 N. 126th Street, Brookfield, WI 53005, attention Peter Welbers. Telex 260-346.

BELZER

Write in No. 39

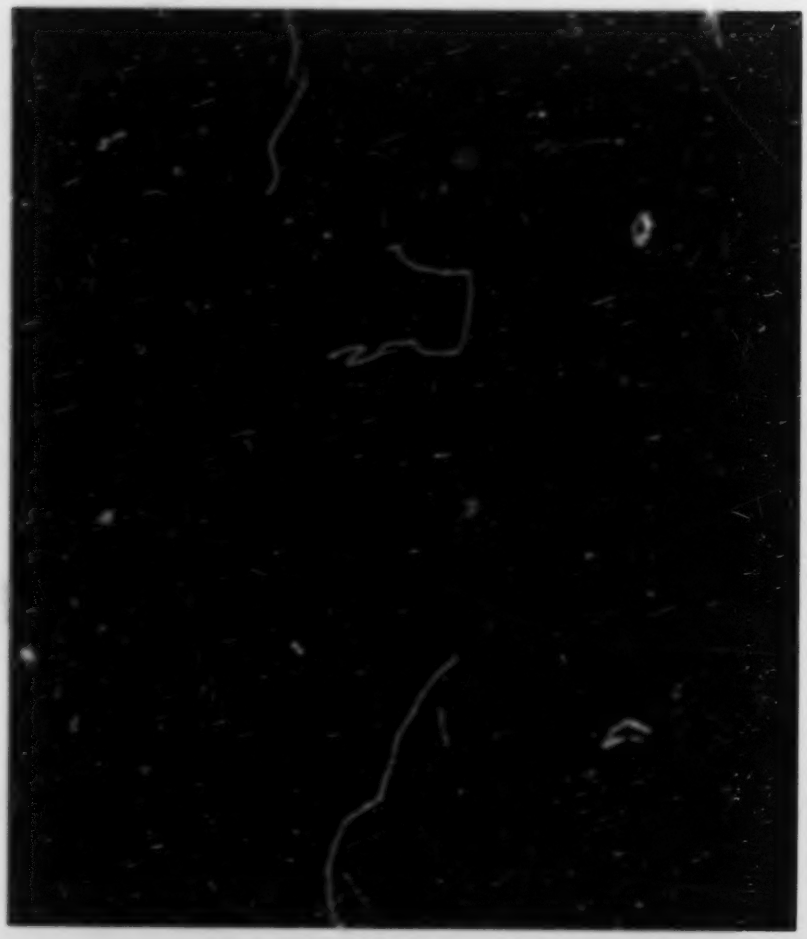
MECHANIC'S HAND TOOLS: PRODUCT SHOWCASE REVIEW

One year after *ID*'s Product Showcase, industry leaders see a flattening out of business from the torrid pace of last year but expect to see a resurgence of activity during 1986

Mechanic's hand tool design has changed very little over the course of the years. The wrench that a production employee uses to tighten a nut on the newest supersonic jet fighter varies insignificantly from the wrench used by a production worker to assemble the Model-T Ford in 1910.

And yet the degree of specialization of individual tools has grown geometrically. Manufacturers today offer literally hundreds of variations of the standard and Phillips-head screwdriver; dozens of types of pliers; tens-of-dozens of wrench styles.

And the applications for the professional hand tool have evolved, too. As a result of the decline of traditional markets including the "oil patch" of Texas and Oklahoma, the weakening of agriculture and the softness of the steel market, toolmakers have sought out new areas of sales. Today these include aerospace, telecommunications, computers, and other mid-to-high tech industries.



Mechanic's hand tools: Product showcase review . . .

Business Trend Analysts, a Commack, NY research organization has estimated that 1984 mechanic's hand tool sales, including automotive tools, totaled more than $1.69 billion in 1984, an increase of more than $239 million over 1983.

Industry sources credit 1984 with being an excellent year. The question mark in their minds is how 1985 and beyond will fare as traditional markets erode, imports *seem* to have peaked and the fluctuating value of the dollar against other major currencies causes speculation about the pricing of U.S. goods against offshore products.

While many feel that the worst is over in terms of the massive influx of inexpensive tools that caused such a competitive stir in the last few years, experts are taking a "wait and see" attitude.

Richard Byrne, executive director of Tarrytown, NY-headquartered Hand Tools Institute (HTI), for example, says "The hand tool industry follows the ups and downs of the business cycle and the concensus forecast seems to be now that '86 is going to be a little stronger and likewise we expect hand tools to be stronger."

Discussing the past year, Byrne says that "Orders have flattened out and that's a sign of what's been happening in the general economy.

And the president of the Hand Tools Institute, H. Arthur Bellows Jr. who is also chairman and president of the Triangle Corp. of Stamford, CT says: "Our view of the whole industry is that it's going to be a tough market through the end of '85. "Then we believe it's going to get substantially better as we move into 1986.

"The bottom line is that we see the last half of 1985 to be more difficult than the first half which in general has not been great in the industrial market."

Bellows reports that overall the first six months of 1985 were from 3–5% better than 1984 but adds that "if you add in inflation, that would probably make it about even."

In terms of units sales of hand tools as opposed to dollars, Bellows sees the latter half of 1985 actually declining by 4–5%. He points out, however, that the industrial hand tool market in 1984 "was a very good year, particularly in relation to 1982 and 1983."

Siobhan Mulroy, associate director of research with Business Trend Analysts says that her firm is predicting 1–2% growth in 1985 by domestic hand tool manufacturers.

"We see auto mechanics tools as increasing substantially," said Mulroy, "as companies continue to maintain fleets of cars and the average age of the automobile increases."

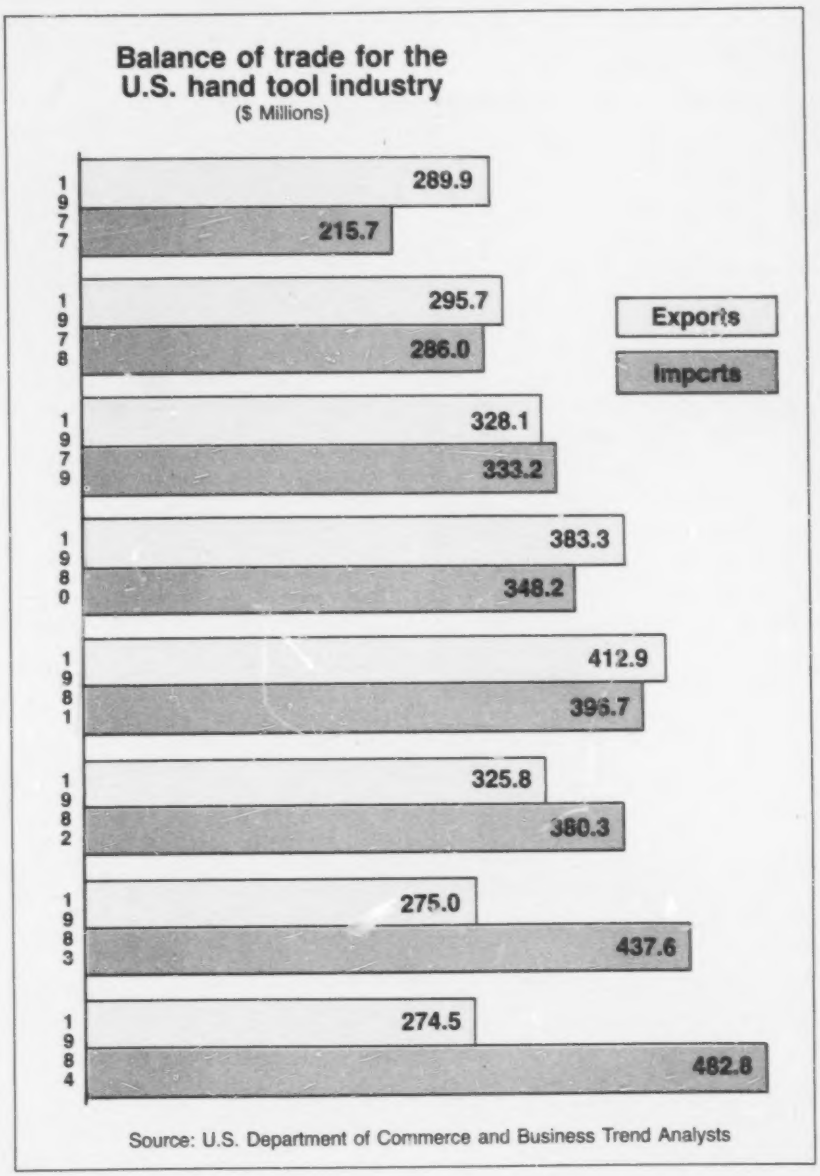
In the ranking of tool sales by distributors, Mulroy reports that wrenches are the leading sellers while hammers, pliers and screwdrivers follow in order of importance.

Mulroy says that high-tech industries may change the demand for hand tools. "As the electronic market progresses," she notes, "I see more specialized tools made for that market. Right now wire cutters and long-nosed pliers are being heavily used in electronics for assembling printed circuit boards. And if the market keeps expanding at its current rate, electronics is going to be one of the largest growth areas for hand tools in the near future," Mulroy says.

HTI's Byrne confirms that socket wrenches, pliers and screw drivers are the leading sellers among its members. Speaking of imports, Byrne says that inexpensive hand tools, made primarily offshore, are still a cause for concern to domestic manufacturers.

"While the pressures are increasing in the industrial market," says Byrne, "the U.S. manufacturer seems to be holding his own."

Bellows agrees that electronics is the wave of the marketing future as far as hand tools are concerned. "Telecommunications has been for the last few years and continues to be right through 1985, a very strong segment for the industrial market of hand tools," says Bellows.



Source: U.S. Department of Commerce and Business Trend Analysts

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"And the additional elements of defense, aircraft, and electrical contracting have been strong but when you shift away and get into basic industries, which are only operating at about 80%, you've got some real slowdown in what I would call the standard 'smokestack' kinds of people whom we also serve.

"But electronics has really been the engine of growth in the industrial hand tool business for the last three or four years," stresses Bellows, adding that since March of 1985 there has been what he called "a dramatic softening" in the electronics market segment which he says "has just dropped off a cliff and you've seen that in the semiconductor results and you've seen that in the computer industries and in peripherals supporting that industry. That's been the really unpleasant surprise of 1985," Bellows emphasizes.

Another industry expert who is taking a cautious attitude toward the next 12 months is Thomas McKane, executive vice president-marketing for The Ridge Tool Co.

"We look at the next year with a great deal of uncertainty," says McKane. "Right now we see business continuing along on a fairly high plateau that it's been on for the last year or so and we see no signs immediately of that plateau eroding or of falling off, but we don't see any substantial growth," he asserts.

"In fact," he continues, "we see some great uncertainties. We are very concerned that the plateau may precipitously fall off or that business could dry up. We see some of the consumer oriented companies having rough times in 1985, we see all this mounting concern about the Federal deficit and what is going to become of that and it scares us. We're greatly concerned about what lies out there perhaps six months out. But right now business is good and steady."

Does he see any growth at all? "Yes," replies McKane, "somewhere in the 2–5% range."

Discussing the relationship between imports and the recent decline in the value of the U.S. dollar against other currencies McKane points out that "any sliding of the U.S. dollar that's taken place in the last 60 days or so, or that's likely to take place in the next 100 days really isn't going to change the import situation when you look at where the dollar has come from over the last three or four years.

"When it's been up 30–40%, coming back down five or ten percent isn't going to make that much difference," he states.

Regionally, Ridge's distribution patterns have shifted as various aspects of the economy have changed over the years. "Not only were we supplying the oil fields when they were booming in 1981 and 1982 but there were substantial exports out of places like Houston to overseas oil fields," says McKane. "There was a whole lot of material going out of Houston to oil fields all over the world and many of those big oil field supply houses down in Texas had a lot of export business to Mexico for the Mexican oil fields and that's all dried up."

Wright Tool Co's. vice president for sales and marketing, Mike Gilroy, agrees that sales will be flat. "In the last 18 months, business has been very, very good," says Gilroy, "but it's starting to slow down a little bit and level off. The plus side is that availability of tools should be excellent," he notes.

"I see a future trend of manufacturers only making what they're very good at. They'll be paring down the lines of what they actually manufacture and they'll buy out the rest," says Gilroy. "I also think we'll see a little bit of increase in the sales of the larger tools—wrenches with ¾" and 1" drives—as well as large pipe wrenches, and large adjustable wrenches, to service industrial and construction customers.

"As far as imports go, I don't see sales increasing much or greater market penetration, either," Gilroy states.

"Imports already have taken away the heart of the line items which is only a certain percentage of the total anyway. Unless they're willing now to branch out into some of the smaller dollar volume areas which they haven't done up to this point, they are not going to grow much. But the major emphasis is that you're going to see Japan and Taiwan losing market share to Korea and Red China," he points out.

HTI's Bellows also reports that perhaps the threat of imports as far as industrial quality hand tools are concerned has been overstated. "Anyone would be a fool to say that imports don't have some impact but, relatively speaking, if you were going to select three basic channels of hand tool distribution, industrial hand tools have had the least impact by far. Part of that is some of the smaller offshore companies are just not designing and manufacturing the tools to meet the kind of demands for industrial applications," Bellow explains.

In summary, the concensus of the mechanic's hand tool experts surveyed by *ID* seems to be that sales should be relatively flat through the end of 1985 with some renewed vigor evident in 1986. Imports may have peaked as a total percentage of the hand tool market but the coming year should see new players entering the import game and trading market share among themselves. And, finally, the future may belong to the specialist who finds his niche, develops it in depth and then markets it for all he is worth.

U.S. manufacturers sales of mechanic's hand tools by major product categories

(given in millions of dollars)

					BTA estimates	
	1967	1972	1977	1982	1983	1984
TOTAL of all products	$391.5	$601.2	$1070.2	$1358.5	$1467.2	$1691.7
pliers	46.1	50.9	63.5	99.9	95.9	135.3
ball peen hammers	4.9	6.8	9.6	7.7	7.4	8.5
wrenches	136.9	230.7[E]	392.7	716.7	790.8	888.1
screwdrivers	38.3	45.2	87.3	117.1	129.1	147.2
automotive jacks	24.5	39.1	69.1	38.2	47.0	65.9
automotive tools	117.9	195.3	201.2	134.6	139.4	153.9
other tools			220.5	238.7	252.4	282.5
tools not specified	22.9	33.2	26.3	5.6	5.8	10.2

E = estimated Source: Business Trend Analysts

The table on the left illustrates the relative growth rates of some of the most popular mechanic's hand tools sold by industrial distributors.

While pliers and screwdrivers have increased in dollar volume by 293% and 384% respectively between the years of 1967 and 1984—the last two years being estimated by BTA—wrenches have grown from $136.9 million in 1967 to an estimated $881.1 million in 1984 for a 648% increase or nearly twice the combined average of pliers and screwdrivers.

Even taking into account the effect inflation has had on the hand tool market, wrench sales have clearly outperformed the rest of the market and show no signs of abating as electronics, aerospace and other *high tech* industries more than take up the slack left by the decline of the so-called smokestack industries.

Hand tool experts say that despite the inroads automation and robotization have made on manufacturing, the future of tools designed for the human hand looks brighter than ever.

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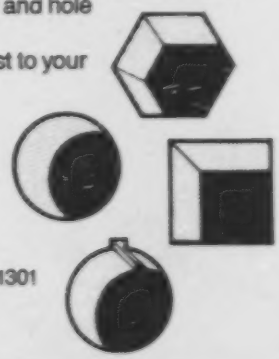

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